Consolidated Communications

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Counsel

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July 8, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street N.W.
Washington, DC 20554

Re: CC Docket No. 92-77

Dear Ms. Searcy:

Enclosed for filing is an amended original and eight copies of the Comments of the Consolidated Companies in the above referenced proceeding. Also enclosed is a copy of the Comments to be date stamped and returned to us upon receipt. The amended version includes our address which was mistakenly omitted. Please substitute this copy with the previously filed version.

Thank you for your assistance in this matter.

Sincerely,

Ellyn Elise Crutcher

Ellyn Elise Crutcher
Counsel for the Consolidated Companies

cc: Downtown Copy Center

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of Billed Party Preference for InterLATA Calls	)	CC Docket No. 92-77

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JOINT COMMENTS OF
CONSOLIDATED COMMUNICATIONS OPERATOR SERVICES, INC.
ILLINOIS CONSOLIDATED TELEPHONE COMPANY
CONSOLIDATED NETWORK INC.
AND
CONSOLIDATED COMMUNICATIONS PUBLIC SERVICES

Consolidated Communications Operator Services Inc. ("CCOS"), Illinois Consolidated Telephone Company ("ICTC"), Consolidated Network Inc. ("CNI") and Consolidated Communications Public Services ("CCPS") hereby submit their comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceeding released May 8, 1992.

INTRODUCTION

CCOS is a provider of wholesale operator services to retail operator service providers. Although CCOS was not formed until 1988, its underlying operations provided by its affiliate company, ICTC, draw upon nearly 100 years of experience in providing operator assistance in telecommunications. ICTC is a local exchange telecommunications company in East Central

Illinois with approximately 78,000 access lines in 37 exchanges with an average density of 25 access lines per square mile. It has retained its highly qualified operator workforce by offering competitive services, despite the significant loss of AT&T interLATA operator traffic in October 1989. In January, 1991, ICTC issued its own multi-carrier calling card to its subscribers. CNI is an interexchange carrier with primarily regional operations located in the Midwest, is a member of the National Telecommunications Network and is a so-called "third tier" carrier competing to be the presubscribed carrier at hospital, university and hospitality locations, as well as on a 1+ or a 0 basis for business and residence customers. CNI is an active member of ACTA, CompTel and OSPA. CCPS is a provider of public telephone services in Illinois. This unique group of companies ("Consolidated Companies") are owned in common by Consolidated Communications Inc. and jointly file these comments to describe to the Commission the impacts its proposal and decisions in this docket can have on each entity.

BACKGROUND

The Commission has tentatively concluded that "billed party preference for all 0+ interLATA calls is in the public interest".[1] Despite reaching this tentative conclusion, the FCC has raised substantial questions about the cost and process for

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[1] Notice of Proposed Rulemaking in CC 92-77 released May 8, 1992 at para 13.

implementing billed party preference which the FCC plans to examine before reaching a final decision on the overall merits of billed party preference.

ARGUMENTS

I. Costs of Deploying Billed Party Preference Outweigh the Associated Benefits

In 1988, Judge Greene concluded that the billed party should ideally choose their interexchange carrier for 0+ traffic at public telephones owned by the Regional Bell Operating Companies (RBOCs") to "most perfectly comport with the language and purposes of the decree".[2] Four years later, massive changes in the handling of operator assisted calls at all payphones, not just those of the RBOC's, have been mandated by the Telephone Operator Consumer Services Improvement Act ("TOCSIA")[3] and the FCC's rule.[4] All OSPs now must have an 800 or 950 access number, must unblock equal access carrier codes at all aggregator locations (once the FCC's recent stay is lifted), must brand their traffic and must file tariffs reflecting their charges.[5] Since customers will effectively choose their interexchange carrier on 0+ calls by the means of dialing 10XXX, once the toll

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[2] United States v. Western Electric Co., Inc., 698 F. Supp 348 (D.D.C. 1988).

[3] 47 U.S.C. section 226

[4] Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, CC Docket No. 91-35, 6 FCC Rcd 4736 (1991).

[5] Id.

fraud issues related to premise equipment limitations have been resolved, the Consolidated Companies take the position that the dynamics that may have warranted the adoption of billed party preference have been altered, minimizing the value of such a system. The positive aspects to the billed party preference system to the consumer have simply been reduced to the time avoided by not dialing five digits on calling card calls which comprise 75% of interLATA calls handled by CNI.

While the benefits to the consumer are apparently minimal, the expected costs to implement billed party preference are quite substantial. The Consolidated Companies consequently estimate the implementation costs to be in excess of $2 billion dollars. If all local exchange companies implement billed party preference, the Consolidated Companies expect the costs to be in the range of $1.5 billion to $1.65 billion[6], using information submitted by US West which estimated their implementation costs at $148 million for 13.2 million lines, or roughly $11-12/line. In addition, all interexchange carrier costs must be considered. While only considering AT&T's estimate of $560 million[7], the total implementation costs exceed $2 billion. The Consolidated Companies do not have a high confidence level that even this estimate will prove to be accurate; cost overruns could be likely

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[6] $11/line x 137,075,520 access lines per USTA 1991 Phone Facts = $1.5 billion

[7] Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, Notice of Proposed Rulemaking dated May 8, 1992 at paragraph 25.

and will ultimately be paid by customers.

II. Billed Party Preference Will Inconvenience Customers

Beyond the costs of implementing billed party preference which will ultimately be shouldered by customers, negative side effects will include blocked calls, increased call set-up time, frustrating experiences in repeating information and decreased availability of payphones. Additionally, customers will lose access to future innovative developments at originating locations, e.g., voicemail and message forwarding, which competitive carriers providing operator services have pioneered.

Customers will experience blocked calls if their regional carrier is not present in a market to which they travel and they do not specify a secondary carrier.

Unless significant expenditures for AABS and trunk signalling on SS7 are universally undertaken by all LECs, customers can expect to experience the call set-up delays and frustration resulting from repeating information to a LEC and OSP operator as noted by the FCC[8]. ICTC's current estimate of the hardware and software costs its vendor would charge for the SS7 trunk signalling alone is $878,000. In addition, ICTC predicts significant additional administrative expenses for LIDB updates, network expenses resulting from calls that must be held during a database query under a billed party preference system and toll fraud expense increases resulting from customers at prisons and

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[8] NPRM at paragraph 26 and 27.

university dormitories having an opportunity to select the interexchange carrier.

Finally, the number and location of payphones available to the public could decrease as payphone owners experience reduced compensation due to the elimination of commission payments.

III. Governmental Units Will Lose Control Exercised Over Security and Will Experience Further Revenue Shortfalls Because of Billed Party Preference

Billed party preference would prevent government institutions such as prisons, jails and detention centers from providing telecommunication services for inmate usage that includes both public security and minimal governmental funding features. Governmental institutions that provide inmate housing have become dependent on the specialized carrier-based systems that equip the correctional staffs with necessary controls to curb inmate abuses to the public-at-large. These abuses are generally in the form of personal harassments, illegal behavior and telecommunication and business fraud. Further, these institutions will be deprived of revenue streams that partially offset the enormous cost of institutional housing and imprisonment for relatively all governmental authorities.

An institutional system based on billed party preference will proliferate inmate fraud and public harassment as well as diminish the institutional controls that currently are in place. In times when almost every government entity is already wrestling with revenue shortfalls and budget cuts, billed party preference will place an added cost burden on these entities. Additional tax-based funding will be necessary to replace lost revenues provided by carrier commissions, as well as replace essential security systems that are currently provided in many cases by the carriers as part of the institution's service.

Other institutions that could be affected by the adoption of billed party preference include universities and government-supported hospitals. The FCC should carefully weigh the cost increases and revenue shortfalls that the state, local and Federal agencies will experience when determining whether to mandate billed party preference.

IV. Fewer Competitive Choices Will Be Available to Consumers

The Consolidated Companies envision the negative consequences of billed party preference on their operations will be a national phenomenon, further constricting competition in the interexchange industry. The IXC/OSP industry clients which CCOS serves will likely become unprofitable once they will no longer be able to pay commissions and are not equipped to compete as a national carrier to be chosen along with a consumer's 1+ carrier. The OSPs, regional carriers and affiliates which comprise CNI's traffic base will erode for the same reason.

The FCC's proposed process for selecting the 0+ carrier and secondary OSP is an unfair one, especially the proposal to only notify customer's of their right to presubscribe to a different carrier for 0+ than 1+ and the proposal to allow the primary OSP to choose the secondary OSP, but only one secondary OSP[9]. The inherent customer inertia would make forecasting the success of the 1+ carrier in being chosen by default an easy prediction and a primary OSP would have to select a national OSP/carrier to operate as its secondary OSP to avoid call blocking. The outcomes of such a selection process can be expected to favor the national carriers.

As described in the prior section, the major clients served by CCPS, including correctional facilities, will no longer receive commissions and therefore, the underlying reason for CCPS' existence will be seriously compromised.

After initially introducing a calling card that is line number-based and honored by all carriers (given negotiation of comprehensive agreements), customers will have fewer choices of calling cards and carriers under billed party preference. ICTC's calling card will likely be seen as minimally useful in a billed party preference environment. All but a handful of calling card options offered by the very largest carriers will become non-viable.

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[9] NPRM at paragraphs 33 and 35.

CONCLUSION

For all the above-stated reasons, the Consolidated Companies request the Commission to find that the extraordinary cost of implementing billed party preference exceeds the minimal benefits of that system and is further likely to reduce competition within the interexchange and OSP industry. Should the Commission determine to proceed with billed party preference despite these consequences, the Consolidated Companies request the Commission not require billed party preference be implemented for institutions such as prisons and universities, given the cost, potential for fraud and revenue losses that would be precipitated.

Respectfully submitted,

Ellyn Elise Crutcher

Ellyn Elise Crutcher
Counsel for the Consolidated Companies

Consolidated Communications Operator Services Inc.
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Consolidated Network Inc.
Consolidated Communications Public Services

121 South 17th Street
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July 6, 1992

CERTIFICATE OF SERVICE

I, Ellyn Elise Crutcher, hereby certify that a copy of the Joint Comments of Consolidated Communications Operator Services, Illinois Consolidated Telephone Company, Consolidated Network Inc. and Consolidated Communications Public Service were sent on this 6th day of July, 1992, by first class, postage-prepaid mail to those persons listed below:

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